

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
COLORADO RIVER COMMISSION  
OF NEVADA**

A component unit of the State of Nevada

**Las Vegas, Nevada**

**For the  
FISCAL YEAR ENDED JUNE 30, 2008**

*Prepared by the Finance and Administration Division  
under the supervision of  
Douglas N. Beatty, Division Chief*

## STATE OF NEVADA

JIM GIBBONS

*Governor*

CATHERINE CORTEZ MASTO

*Attorney General*

KIM WALLIN

*Controller*

KATE MARSHALL

*Treasurer*

ROSS MILLER

*Secretary of State*

## COLORADO RIVER COMMISSION

JAY D. BINGHAM

*Chairman*

ACE I. ROBISON

*Vice Chairman*

ANDREA ANDERSON

*Commissioner*

MARYBEL BATJER

*Commissioner*

CHIP MAXFIELD

*Commissioner*

GEORGE F. OGILVIE III

*Commissioner*

LOIS TARKANIAN

*Commissioner*

## COMMISSION STAFF

GEORGE M. CAAN

*Executive Director*

GAIL A. BATES

*Energy Services Manager*

JAMES D. SALO

*Deputy Executive Director*

DOUGLAS N. BEATTY

*Division Chief Finance and Administration*

**COLORADO RIVER COMMISSION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008**

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JIM GIBBONS, *Governor*  
JAY D. BINGHAM, *Chairman*  
ACE I. ROBISON, *Vice Chairman*  
GEORGE M. CAAN, *Executive Director*

STATE OF NEVADA



ANDREA ANDERSON, *Commissioner*  
MARYBEL BATJER, *Commissioner*  
CHIP MAXFIELD, *Commissioner*  
GEORGE F. OGILVIE III, *Commissioner*  
LOIS TARKANIAN, *Commissioner*

## **COLORADO RIVER COMMISSION OF NEVADA**

December 29, 2008

### **Honorable Chairman and Members of the Colorado River Commission of Nevada**

It is a pleasure for us to present the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission (the Commission) for the year ended June 30, 2008, prepared by the financial and administrative division staff. This CAFR is published to fulfill state law and bond covenants requiring such within six months of the close of each fiscal year. The Commission is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. The Commission's internal controls have been developed with the assistance of the State of Nevada Controller's office. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Piercy Bowler Taylor and Kern, Certified Public Accountants and Business Advisors, audited the Commission's fiscal 2008 financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Commission are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Commission's basic financial statements for the fiscal year ended June 30, 2008, are fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented in the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and

should be read in conjunction with it. The Commission's MD&A is presented in the financial section of this report.

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## THE COMMISSION

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The Commission has broad statutory authority to establish policy for the management of Nevada's allocation of power and water resources from the Colorado River and development of designated land in southern Nevada. As a state agency, it comprises a discretely presented component unit of the State of Nevada (the State) for financial reporting purposes. Information presented herein is also included in the State's comprehensive annual financial report.

The Commission is governed by seven commissioners, four of whom, including the Chairman, are appointed by the Governor, with the remaining three appointed by the Southern Nevada Water Authority (SNWA). Commissioners are required to have a general knowledge of the development of the Colorado River and its tributaries within Nevada, as well as the rights of Nevada pertaining to the resources and benefits of the Colorado River. The members of the Commission are:

Name	Initial Appointment	Current Term
Jay D. Bingham, Chairman	1997	7/1/06 – 6/30/09
Ace I. Robison, Vice Chairman	2004	7/1/08 – 6/30/11
Honorable Andrea Anderson, Boulder City Councilwoman	2004	7/1/08 – 6/30/09 *
Marybel Batjer	2005	7/1/08 – 6/30/11
Honorable Chip Maxfield, Clark County Commissioner	2007	7/1/08 – 6/30/09 *
George F. Ogilvie III	2007	7/1/07 – 6/30/10
Honorable Lois Tarkanian, Las Vegas City Councilwoman	2007	7/1/08 – 6/30/09 *

The Commission is responsible for the acquisition, management, utilization and development of designated water, electric power and land resources of the State. It is empowered to receive, protect, safeguard and hold in trust all rights, interests and benefits in and to the waters of the Colorado River and such power generated thereon to which

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\* Designates those commissioners appointed by SNWA who have terms that are subject to annual reappointment and continuation of their service as directors of SNWA

Nevada is entitled. The Commission has the authority to make and enter into compacts or contracts and cooperate with other entities, states, and/or the federal government in fulfilling its statutory responsibilities. The Commission's main office is located in Las Vegas, Nevada.

Activities of the Commission are funded from revenue received from power and water contractors. An administrative charge is included in power sales to provide funding for power related activities. Water administrative cost reimbursements are received from SNWA. Interest income earned from investments by the State Treasurer also contributes to revenues. The Commission does not request or receive any State tax allocations or federal funds to support its administrative and operating functions.

**Power.** Nevada's allocation of hydropower from Hoover, Parker and Davis Dams, the Colorado River Storage Project, and the Salt Lake City Area Integrated Project is purchased by the Commission from the federal government and sold to several contracting entities in southern Nevada, including three rural electrification associations, one municipal and one investor-owned utility and an industrial complex in Henderson, Nevada. The Commission also seeks and contracts for available capacity and energy from alternative sources in order to meet the needs of the entities it serves. The Commission is also responsible for developing power delivery facilities and providing power, including hydropower to the new water treatment facilities being constructed by SNWA.

**Water.** The Commission represents Nevada's interests on all state and interstate matters dealing with the management, operation and administration of the water resources of the Colorado River. The Commission works directly with the U.S. Bureau of Reclamation, representing the Secretary of the Interior as the water master of the Lower Colorado River; the other six Colorado River Basin states consisting of Arizona, California, Colorado, New Mexico, Utah and Wyoming; and SNWA and other water users in southern Nevada. Negotiating new water supplies, identifying new operating strategies, which balance water use with water supply, and developing new mechanisms for interstate water transfers continue to be the principal focus of the Commission.

**Land.** As a result of legislation passed by the State, the Commission transferred all of its approximately 15,000 acres in the Fort Mohave Valley (at the southern tip of the State), and the related monies to Clark County. The County is now the authorized entity empowered to sell the Fort Mohave Valley land.

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## **FACTORS AFFECTING FINANCIAL CONDITION**

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The information presented in the financial statements is best understood when it is considered from the broader perspective of the environment within which the Commission provides service.

**Clark County.** The area served by the Commission, principally the Clark County area, continues to grow, but at a decreased rate from previous years. Overall, Nevada grew by an estimated 71,548 persons or 2.6% from 2007 to 2008, as reported by the State Demographer. This compares to 4.5% growth over the previous year. Clark County (the County) accounted for 75% of that growth. The County encompasses 7,927 square miles, an area larger than the entire state of New Jersey. It includes five incorporated cities: Las Vegas, Henderson, North Las Vegas, Boulder City, and Mesquite; fourteen unincorporated towns; one school district; four library districts; one urban and two rural fire districts; one sanitation district; one urban and three rural water districts; and eleven judicial townships. The State Demographer reports that the County's estimated population for 2008 is 2,008,063, which represents approximately 74% of the State's population (estimated to be approximately 2,718,337). Current projections by the State Demographer place the County population at 2,148,122 in 2010 and 2,666,119 in 2020. Both projections represent a decrease in the expected growth from the previous demographic report. The U.S. Census Bureau projects the County population to reach over 4,000,000 in about 2030, which is over double the population that existed in 2000. The State has been experiencing serious financial concerns as economic indicators in the State and County have continued to decline. The State and local governments have taken steps to decrease expenditures to maintain balanced budgets. The revenues of the Commission have been steady, and are projected to remain stable over the next year. This is primarily due to the nature of Commission resources and the very low cost of those resources to its customers.

**Cash Management.** Cash in all funds is deposited in the State Treasurer's account. Interest income is received from the State Treasurer on all Commission cash. The Commission has no direct control over the investing activities of these resources. Interest income and cash balances have been adjusted for unrealized losses on investments.

**Risk Management.** The Commission, as an agency of the State, participates in the State's risk management program. The State self-insures against certain property and liability claims. The State's risk management division manages a self-insurance fund for group health insurance, and an insurance premium fund to provide fidelity insurance, property insurance and worker's compensation insurance. The Commission pays its share of the activities of the program as prescribed by the State. The State's comprehensive annual financial report provides more information relative to risk management activities.

**Pension benefits.** The Nevada Public Employee Retirement System (PERS) is a cost-sharing, multiple employer defined benefit plan covering essentially all of the employees of state and local Nevada governments. Employees of the Commission are eligible to participate upon employment. Note 11 to the financial statements discusses the plan specifics. In addition to providing pension benefits, the Commission provides certain health care benefits for retired employees. All of the Commission's employees may become eligible if they reach normal retirement age while working for the Commission.



**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the 31<sup>st</sup> consecutive year that the Commission has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate for the fiscal year ended June 30, 2008.

**Acknowledgements.** Preparation of this report could not have been accomplished without the services of the entire staff of the Commission. We would like to express our appreciation to all members of the staff. We would also like to express our thanks to the Commission members for their interest and support in planning and conducting the financial affairs in a responsible and professional manner.



George M. Caan  
Executive Director



Douglas N. Beatty  
Division Chief, Finance & Administration

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Colorado River Commission of Nevada

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

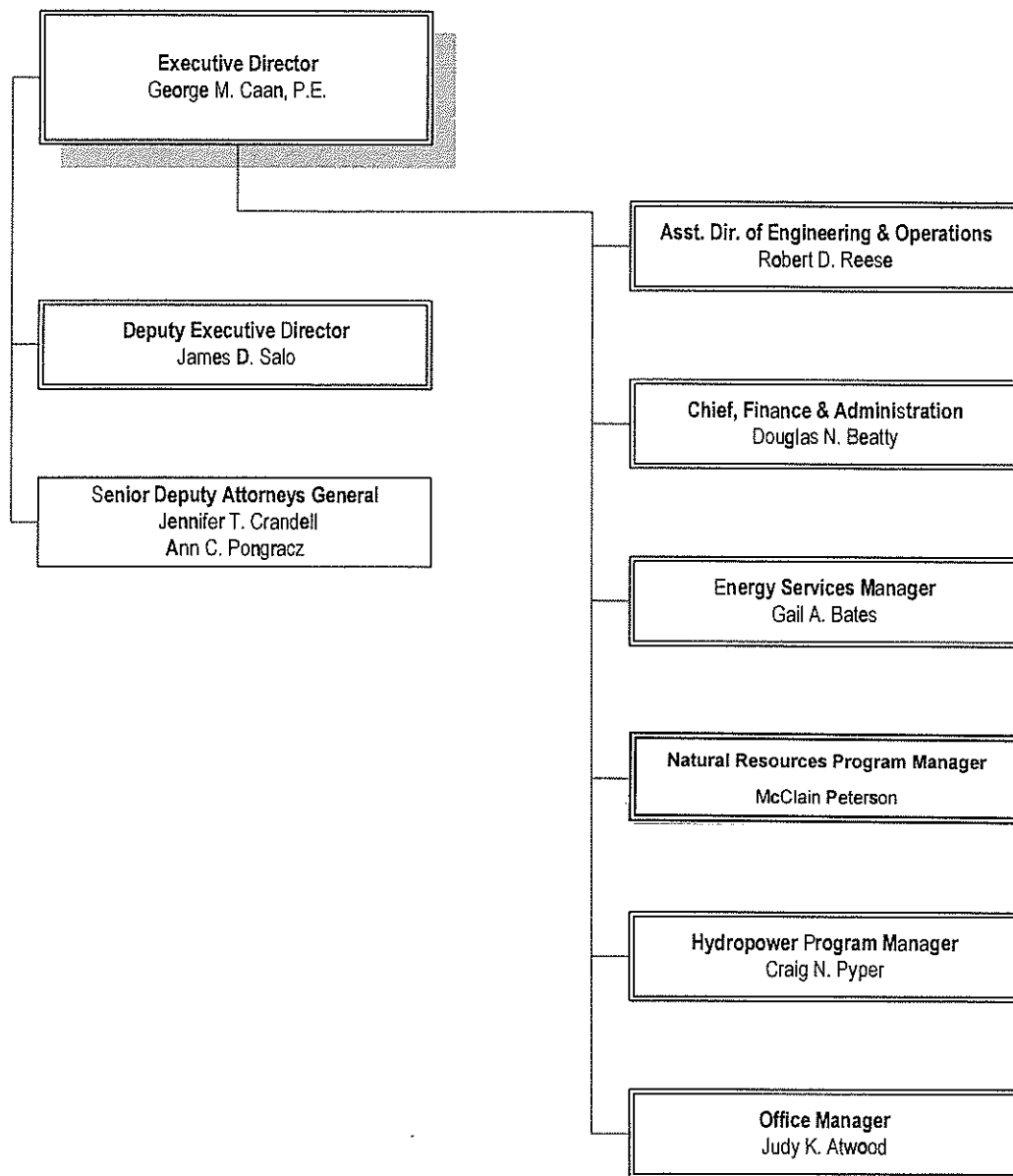
President

*Jeffrey R. Emer*

Executive Director

# Colorado River Commission of Nevada

## Functional Organization



# **FINANCIAL SECTION**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Colorado River Commission of Nevada  
Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Colorado River Commission of Nevada (the Commission), a component unit of the State of Nevada as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

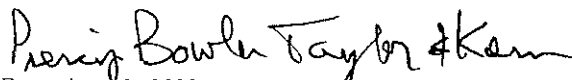
We conducted our audit in accordance with auditing standards generally accepted in the United States, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and therefore, express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



December 12, 2008, except as to the management's discussion and analysis and the introductory and statistical sections, which are as of December 29, 2008

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the comprehensive annual financial report of the Colorado River Commission (the Commission) presents management's overall analysis of the Commission's financial activities for the fiscal year ended June 30, 2008. This information will provide a more complete picture of Commission activities when read in conjunction with the financial statements, notes to the financial statements and letter of transmittal.

### Financial Highlights

- ❖ The assets of the Commission exceeded its liabilities at the close of the fiscal year by \$8,326,461 (net assets).
- ❖ The Commission is no longer involved in land issues in Nevada. The Commission transferred its land interests and associated cash balances to Clark County pursuant to legislation at the close of fiscal 2007. The Fort Mohave Valley Development Fund was closed in fiscal 2007 to ongoing operations and in the current fiscal year only reports the transfer of interest income received after June 30, 2007 to Clark County. All Laughlin land responsibilities, operations and transactions are now recorded in the annual report of Clark County, Nevada.
- ❖ The cost of electric service provided to the Southern Nevada Water Authority (SNWA) through the Power Delivery Fund continued to decrease when compared to the prior fiscal year. The decrease can be attributed to market factors and due to the extinguishment of certain long term power contracts in the preceding fiscal year. The contracts were entered into in 2002 as the cost of power in the western United States escalated due to the attempted deregulation of the power markets. The contracts obligated the Commission to power that was priced higher than current market resources but were completely extinguished in fiscal 2007. Market conditions have remained reasonably stable and resources obtained by the Commission have been reasonably priced. The resulting costs associated with electric power resources for all enterprise funds were \$5,674,758 less than in fiscal 2007.
- ❖ Power administrative revenues in the Commission's general fund decreased slightly, by \$27,425, for the current fiscal year. The deliverable Hydropower remained at levels experienced in the prior fiscal year. Water revenues in the general fund increased by \$422,631. The increase is due to increased activity related to water issues and as needed to maintain adequate cash reserves to fund continuing activity. The expenditures of the general fund decreased by \$527,150. This decrease is due primarily to the rebate of \$500,000 given to the customers in fiscal 2007, which was not repeated in the current fiscal year. Thus actual expenditures remained very stable. The Commission anticipates a potential rebate

in fiscal 2009, but will continue to evaluate the cash reserve balances prior to making such a rebate. The net result of the fiscal year's water and hydropower activities provided the Commission with healthy carry forward balance in the general fund of \$2,582,644 which is an increase of \$567,104 from fiscal 2007.

## Overview of the Financial Statements

The Commission is a special-purpose government entity. It is empowered primarily to administer the Colorado River water resources given to the State of Nevada (the State) by the Federal Government, and to provide electric power resources to specific legislatively approved entities. The water resources have been allocated to a regional governmental entity, SNWA, and the power resources are provided mostly to governmental or quasi-governmental entities with a limited number of industrial end users grandfathered in to the Commission's service authority. Thus, the enterprise funds have a statutorily limited customer base. The Commission is not empowered to seek or serve any additional entities. The water function is not intended to serve as an enterprise-type activity, and is accounted for in the Commission's general fund. The electric power function, while not intended to generate a profit, is accounted for through the use of two enterprise funds. One of the funds (the Power Delivery Fund) records the transactions related to the Commission's major customer, SNWA. The resources of this fund provide electric power for SNWA's water pumping needs. The other enterprise fund (the Power Marketing Fund) records the transactions related to all of the Commission's other power customers, and includes the hydropower resources allocated to the State. These resources are generated from Federal Hydropower Projects (Hoover Dam, Parker Dam, and others) on the Colorado River. In addition to these funds, the Commission administers two special revenue type governmental funds to account for land and research and development projects.

The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related

cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The functions reported on the Commission's basic financial statements are principally supported by user fees and charges. The water-related activities are supported by an administrative fee assessed on SNWA, and the power-related activities are supported through administrative charges assessed as part of the sale of electric resources. Land and other activities are funded through specific contractual charges assessed on the benefiting entity.

**Fund financial statements.** A fund is a self-balancing group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into two categories: governmental and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The Commission maintains two governmental funds, but this report will include reporting of the closure of the Fort Mohave Fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances for the general fund and the two special revenue funds. Only the general fund is considered a major fund, and the two special revenue funds are combined into a single aggregate presentation. Individual fund data for each of the two special revenue funds is provided in the combining statements in this report.

The Commission maintains two proprietary (enterprise) funds, both of which are also considered major funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds provide the same type of information as the government-wide financial statements, but in more

detail. The Commission adopts an annual budget for all funds. A budgetary comparison is provided in this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and fund financial statements.

### Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Increases or decreases in the net assets may, over time be an indicator of improving or deteriorating financial stability of the entity. However, this must be evaluated with other factors, some of which are detailed in the following tables.

Colorado River Commission's Net Assets						
	Governmental Activities			Business-type Activities		
	2008	2007	Change	2008	2007	Change
Current and other assets	\$ 5,121,591	\$ 4,503,368	\$ 618,223	\$ 27,562,070	\$ 30,427,368	\$ (2,865,298)
Non-current restricted cash				9,577,142	6,797,273	2,779,869
Capital assets	14,045	97,911	(83,866)	99,721,583	101,491,687	(1,770,104)
Total assets	5,135,636	4,601,279	534,357	136,860,795	138,716,328	(1,855,533)
Current liabilities	2,012,826	2,176,728	(163,902)	29,581,515	26,262,211	3,319,304
Long-term bonds				104,060,000	109,260,000	(5,200,000)
Bond related charges				(5,152,857)	(5,511,094)	358,237
Other noncurrent liabilities	17,956	19,930	(1,974)	3,150,530	3,397,334	(246,804)
Total liabilities	2,030,782	2,196,658	(165,876)	131,639,188	133,408,451	(1,769,263)
Net assets:						
Invested in capital assets						
net of related debt	14,045	97,911	(83,866)	(3,850,234)	(3,661,965)	(188,269)
Restricted				716,319	717,664	(1,345)
Unrestricted	3,090,809	2,306,710	784,099	8,355,522	8,252,177	103,345
Total net assets	\$ 3,104,854	\$ 2,404,621	\$ 700,233	\$ 5,221,607	\$ 5,307,876	\$ (86,269)

Note that government-wide current assets decreased from the previous year. This was due to a decrease of approximately \$2,300,000 in current cash, and a decrease of approximately \$2,000,000 in collateral for loaned securities. Receivables increased by approximately \$1,500,000. The cash decreased due to the decrease in power costs as the long-term higher-priced contracts were extinguished and as the current cost of power remained stable. The increase in receivables was a function of the recording at the end of the fiscal year and is not related to any change in operations. Current liabilities also increased due to an increase in the current portion of bonds payable. This is as anticipated in debt schedules as some older bond issues that were not advance refunded in the past now become due.

**Colorado River Commission's Changes in Net Assets**

	Governmental Activities			Business-type Activities		
	2008	2007	Change	2008	2007	Change
Revenues:						
Program revenues:						
Administrative charges	\$ 2,607,763	\$ 2,212,557	\$ 395,206			
Power sales revenue:						
Power marketing				\$ 55,601,491	\$ 57,246,095	\$ (1,644,604)
Power delivery				10,242,168	15,130,974	(4,888,806)
General revenues:						
Investment income	227,944	773,632	(545,688)	493,005	754,968	(261,963)
Multi-Species surcharge	595,223	547,450	47,773			
Miscellaneous income		26,947	(26,947)			
Total revenues	3,430,930	3,560,586	(129,656)	66,336,664	73,132,037	(6,795,373)
Expenses:						
General government	2,730,697	12,208,192	(9,477,495)			
Power purchase expenses:						
Power marketing				55,744,898	57,473,246	(1,728,348)
Power delivery				10,678,035	15,783,971	(5,105,936)
Total expenses	2,730,697	12,208,192	(9,477,495)	66,422,933	73,257,217	(6,834,284)
Change in net assets	700,233	(8,647,606)	9,347,839	(86,269)	(125,180)	38,911
Net assets, beginning	2,404,621	11,052,227	(8,647,606)	5,307,876	5,433,056	(125,180)
Net assets, ending	\$ 3,104,854	\$ 2,404,621	\$ 700,233	\$ 5,221,607	\$ 5,307,876	\$ (86,269)

The Commission has a significant amount of capital assets in its enterprise funds. The acquisition or construction of these assets has been fully funded through the issuance of General Obligation Revenue Supported Bonds. The contracts with Commission customers provide for collections equal to the bond debt payments only. The Commission does not include depreciation expense in its charges for power. This means that the net assets related to capital investment will never be significant for the Commission's enterprise funds, no matter the cost of the assets. Also, in the early years of the asset life, when depreciation is higher than the underlying debt service, there will be a negative investment in capital assets. However, all things being equal, at the end of the asset life and debt term, the net investment should be zero. The Commission's primary net asset value will be related to operating and restricted cash balances. At the current time, the net capital assets of the power funds are zero. This is because most of the assets are relatively new, and the full debt obligation remains.

The governmental activities of the Commission are small in comparison to the capital and power purchasing activities. The Commission's water-related efforts and other minor functions form the bulk of the governmental programs. These activities are funded on a current basis through administrative assessments, and the Commission carries minimal cash balances for these activities. The activities related to the electric power utility function are large and generate millions of dollars in both revenues and expenses. However, as the Commission's contracts for power allow only for recovery of cost (including administrative expenses), these activities do not contribute significant amounts to net assets. In fact, based on timing differences between collections from customers and payment to vendors, the contributions to net assets from these activities may be negative in any given year.

### **Financial Analysis of Government Funds.**

The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All cash receipts and disbursements are processed and recorded by the State Controller. Budgetary and cash control is imposed by the Controller on the general and special revenue funds. Cash control is required for the enterprise funds. No vouchers are processed for payment unless adequate budget authority exists.

The Commission downloads data from the Controller related to revenue and expense transactions. These downloads are imported into a computerized accounting system for financial reporting purposes. As more fully explained in Note 1 to the financial statements, the accounting policies of the Commission conform to, and its financial statements have been prepared in accordance with, generally accepted accounting principles applicable to government units.

The Commission is not subject to regulation by federal or state utility regulatory bodies. However, the Commission is adapting its chart of accounts and accounting procedures for the Power Delivery fund (an enterprise fund) generally to follow Federal Energy Regulatory Commission (FERC) guidelines to the extent considered legally and practically possible.

General governmental activity of the Commission is recorded in the general fund on the Commission's comprehensive annual financial report.

Revenues of the Commission's general fund totaled \$2,721,322 in fiscal 2008, \$155,082 more than the \$2,566,241 realized in fiscal 2007. The increase in revenues was a result of increased water related activity and allowing for necessary increases to cash reserves for ongoing operations. In addition to these two direct revenue charges, the general fund receives salary and overhead reimbursements from other Commission funds for work performed related to activities of those funds. The reimbursement increased by approximately \$220,000. These reimbursements are for labor charges and overhead expenses. Note that all personnel-related charges are recorded in the general fund. The governmental funds recorded miscellaneous income related to the land function in fiscal

2007 that will now be a County function. Note also that the large decrease in expenditures relates to the transfer of the land related monies to the County.

Funding sources for the Commission's general administrative functions are detailed in the following table:

	Amount	Percent	Amount	Percent
Power administrative charge	\$ 1,296,412	24.41%	\$ 1,323,837	26.85%
Water administrative charge	1,311,351	24.70%	888,720	18.03%
Interest income	113,559	2.14%	351,127	7.12%
Miscellaneous income			2,557	
Total revenues	2,721,322	51.25%	2,566,241	52.05%
Allocated salaries and overhead	2,588,797	48.75%	2,364,082	47.95%
All funding sources	<u>\$ 5,310,119</u>	<u>100.00%</u>	<u>\$ 4,930,323</u>	<u>100.00%</u>

Net expenditures of the general fund totaled \$2,154,218 which is \$527,150 less than the \$2,681,369 expended during fiscal 2007. This was primarily due to the customer rebate of \$500,000 in fiscal 2007 that was not repeated in the current fiscal year.

Change in levels of expenditures from the preceding year is as follows:

	2008	2007	Increase/ (Decrease)
General administration			
Personnel	\$ 3,327,779	\$3,208,935	\$ 118,844
Travel	73,434	59,423	14,011
Operating	1,301,572	1,550,156	(248,584)
Equipment	40,230	226,937	(186,707)
Total general administration	4,743,015	5,045,451	(302,436)
Less allocated salaries and overhead	(2,588,797)	(2,364,082)	(224,715)
Net expenditures	<u>\$ 2,154,218</u>	<u>\$2,681,369</u>	<u>\$ (527,151)</u>

Unreserved fund balances in the general fund and special revenue funds at year end compared to the previous year were:

Fund	Fund Balance June 30		Increase/ (Decrease)
	2008	2007	
General Fund	\$ 2,582,644	\$2,015,540	\$ 567,104
Research and Development Fund	732,616	559,810	172,806
Ft. Mohave Development Fund	-	(14,162)	14,162

The general fund budget for the current fiscal year was adjusted to reflect a continuation of power administrative charges at 2007 levels, when the original budget had anticipated a decrease due to decreased river flow, and additional investment income. There were no other significant changes to the budget. The budget to actual comparisons indicate that the personnel costs overall were below budget, this is due to unfilled positions, and that the anticipated outside contractual costs were also lower than budgeted due to a decrease in directed activity.

The Research and Development fund records the transactions related to the Lower Colorado River Multi-Species Program. This program is currently underway and this is the second year of operations under the program. Payments related to the program will continue for the next 50 years. The charges to Commission customers are pursuant to contract. The increase in cash reserves is a function of the contracts which provides for the Commission to hold a portion of the collections in an interest bearing account for future federal use on the program.

### Capital Assets

The Commission's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$60,815,899 (net of accumulated depreciation). This investment includes the power delivery system, automobiles (both administrative vehicles and power delivery project utility vehicles) and office furniture and equipment. Please refer to Note 5 to the financial statements for more detailed information related to the capital assets of the Commission.

#### Colorado River Commission's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2008	2007	Change	2008	2007	Change
Power transmission system				\$ 60,503,520	\$ 62,519,217	\$ (2,015,697)
Automobiles and related	\$ 13,331	\$ 16,043	\$ (2,712)	47,093	79,561	(32,468)
Office equipment	475	81,411	(80,936)			
Office furniture and fixtures	239	457	(218)			
Construction in progress				265,286		265,286
Total	\$ 14,045	\$ 97,911	\$ (83,866)	\$ 60,815,899	\$ 62,598,778	\$ (1,782,879)

### Debt Administration

As of June 30, 2008, outstanding long-term obligations of the Commission consisted of the following:



<b>Bond Description</b>	<b>Average Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Balance Outstanding</b>
Hoover Uprating refunding, series 2001	5.4	2017	\$ 6,305,000
Hoover Uprating refunding, series 2002	5.4	2016	36,420,000
Power Delivery refunding series 2005I	4.8	2030	65,300,000
Power Delivery Project, series 1999A	5.5	2030	1,235,000

All of the Commission's outstanding bonds are both general obligation and revenue supported (double-barreled) bonds. The bonds are backed by the full faith and credit of the State, however they have always been, and will continue to be, self-supporting debt payable from revenues from the sale of power. Please refer to Note 7 to the financial statements for more detailed information related to debt activity of the Commission.

### **Litigation and Arbitration**

The Commission had in past fiscal years been involved in a number of regulatory and legal actions resulting from recent problems in the electric power industry. However, all of the active litigation was concluded in the prior fiscal year. There were concerns related to the completion of the power contracts that were addressed in the legislative session in 2007, but with the transfer of the land activities to Clark County, all legal activity related to the electric contracts is completed.

### **Requests for Information**

This financial report is designed to provide a general overview of the Commission's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Division Chief, Finance and Administration, Colorado River Commission, 555 East Washington Avenue, Suite 3100 Las Vegas, NV, 89101. In addition, the Commission maintains a website that provides additional information and contacts. The website address is <http://crc.nv.gov>.

## **BASIC FINANCIAL STATEMENTS**

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# COLORADO RIVER COMMISSION

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents, unrestricted	\$ 3,665,895	\$ 1,490,795	\$ 5,156,690
Receivables:			
Accounts	149,867	20,927,457	21,077,324
Accrued interest	17,590	59,074	76,664
Due from other funds (internal balances are eliminated in the total column)*	200,511		
Collateral for loaned securities	1,087,728	2,785,275	3,873,003
Current portion of prepaid power		2,299,469	2,299,469
Total current assets	<u>5,121,591</u>	<u>27,562,070</u>	<u>32,483,150</u>
Noncurrent assets:			
Restricted cash and cash equivalents		9,577,142	9,577,142
Capital assets:			
Depreciable property and equipment, net	14,045	60,550,613	60,564,658
Construction in progress		265,286	265,286
Prepaid power, net of current portion		38,905,684	38,905,684
Total noncurrent assets	<u>14,045</u>	<u>109,298,725</u>	<u>109,312,770</u>
Total assets	<u>\$ 5,135,636</u>	<u>\$ 136,860,795</u>	<u>\$ 141,795,920</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 211,455	\$ 16,123,994	\$ 16,335,449
Deferred revenue	507,150		507,150
Payable to customers		731,313	731,313
Customer collateral deposits		3,024,842	3,024,842
Current portion of accrued compensated absences	206,495		206,495
Bonds payable within 1 year		5,200,000	5,200,000
Unamortized bond discount		(9,543)	(9,543)
Unamortized deferred refunding charge		(347,804)	(347,804)
Unamortized bond premium		246,805	246,805
Due to other funds (internal balances are eliminated in the total column)*		200,511	
Accrued interest		1,515,581	1,515,581
Obligations under securities lending	1,087,726	2,785,275	3,873,001
Total current liabilities	<u>2,012,826</u>	<u>29,470,974</u>	<u>31,283,289</u>
Noncurrent liabilities:			
Bonds payable, noncurrent		104,060,000	104,060,000
Unamortized deferred refunding charge		(4,795,510)	(4,795,510)
Unamortized bond premium		2,903,724	2,903,724
Accrued compensated absences, noncurrent	17,956		17,956
Total noncurrent liabilities	<u>17,956</u>	<u>102,168,214</u>	<u>102,186,170</u>
Total liabilities	<u>2,030,782</u>	<u>131,639,188</u>	<u>133,469,459</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,045	(3,850,234)	(3,836,189)
Restricted for certain operations and maintenance		716,319	716,320
Unrestricted	3,090,809	8,355,522	11,446,331
Total net assets	<u>3,104,854</u>	<u>5,221,607</u>	<u>8,326,461</u>
Total liabilities and net assets	<u>\$ 5,135,636</u>	<u>\$ 136,860,795</u>	<u>\$ 141,795,920</u>

\* All interfund balances are eliminated in the total column. Accordingly, total balances will not crossfoot.

# COLORADO RIVER COMMISSION

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Governmental Activities	Business-type Activities
<b><u>Functions/Programs</u></b>				
Governmental activities:				
General government	\$ 2,730,697	\$ 2,607,763	\$ (122,934)	\$ (122,934)
Business-type activities:				
Power marketing	55,744,898	55,601,491		\$ (143,407)
Power delivery	10,678,035	10,242,168		(435,867)
	<u>66,422,933</u>	<u>65,843,659</u>		<u>(579,274)</u>
Total	<u>\$ 69,153,630</u>	<u>\$ 68,451,422</u>	<u>(122,934)</u>	<u>(579,274)</u>
General revenues:				
Investment income			227,944	493,005
Multi-Species surcharge			595,223	595,223
			<u>823,167</u>	<u>493,005</u>
Change in net assets			700,233	(86,269)
Net assets, beginning			<u>2,404,621</u>	<u>5,307,876</u>
Net assets, ending			<u>\$ 3,104,854</u>	<u>\$ 5,221,607</u>
				<u>\$ 8,326,461</u>

See notes to financial statements.

# COLORADO RIVER COMMISSION

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,949,395	\$ 716,500	\$ 3,665,895
Receivables:			
Accounts	103,175	46,692	149,867
Accrued interest	13,556	4,034	17,590
Collateral for loaned securities	838,258	249,470	1,087,728
Due from other funds	200,511		200,511
Total assets	<u>\$ 4,104,895</u>	<u>\$ 1,016,696</u>	<u>\$ 5,121,591</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 176,843	\$ 34,612	\$ 211,455
Deferred revenue	507,150		507,150
Obligations under securities lending	838,258	249,468	1,087,726
Total liabilities	<u>1,522,251</u>	<u>284,080</u>	<u>1,806,331</u>
Fund balances:			
Unreserved, undesignated reported in:			
General fund	2,582,644		2,582,644
Special revenue fund		732,616	732,616
	<u>2,582,644</u>	<u>732,616</u>	<u>3,315,260</u>
Total liabilities and fund balances	<u>\$ 4,104,895</u>	<u>\$ 1,016,696</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds			14,045
Long-term liabilities that are not due and payable in the current period are not reported in the funds			<u>(224,451)</u>
Net assets of governmental activities			<u>\$ 3,104,854</u>

# COLORADO RIVER COMMISSION

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Charges for services	\$ 2,607,763		\$ 2,607,763
Investment income	113,559	\$ 114,385	227,944
Multi-Species surcharge		595,223	595,223
Total revenues	<u>2,721,322</u>	<u>709,608</u>	<u>3,430,930</u>
<b>EXPENDITURES</b>			
Current:			
General administration	4,687,375	81,425	4,768,800
Less salaries and overhead recovered by allocation	(2,588,797)		(2,588,797)
Net general administration expenditures	<u>2,098,578</u>	<u>81,425</u>	<u>2,180,003</u>
Multi-Species assessment		441,215	441,215
Water purchases	15,411		15,411
Investment expenditure	<u>40,230</u>		<u>40,230</u>
Total expenditures	<u>2,154,218</u>	<u>522,640</u>	<u>2,676,858</u>
Changes in fund balances	567,104	186,968	754,072
Fund balances, beginning	<u>2,015,540</u>	<u>545,648</u>	<u>2,561,188</u>
Fund balances, ending	<u>\$ 2,582,644</u>	<u>\$ 732,616</u>	<u>\$ 3,315,260</u>

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balances, total governmental funds	\$ 754,072
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$9,203) was more than capital outlays in the current period.	(9,203)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	30,028
Loss from disposition of capital assets used in governmental activities	<u>(74,663)</u>
Change in net assets of governmental activities	<u>\$ 700,234</u>

**COLORADO RIVER COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Power administrative charge	\$ 1,266,724	\$ 1,351,265	\$ 1,296,412	\$ (54,853)
Water charges	2,258,525	2,258,525	1,311,351	(947,174)
Investment income	56,000	112,575	113,559	984
Total revenues	<u>3,581,249</u>	<u>3,722,365</u>	<u>2,721,322</u>	<u>(1,001,043)</u>
<b>EXPENDITURES</b>				
Current:				
General administration				
Personnel services	5,102,646	5,094,721	3,327,779	1,766,942
Travel:				
Out-of-state	65,519	65,519	65,519	
In-state	13,836	13,836	7,915	5,921
Operating:				
Water purchases	50,000	50,000	15,411	34,589
Insurance	10,235	10,235	9,477	758
Legal	369,518	369,518	370,292	(774)
Contractual services	887,500	883,500	437,573	445,927
Other	675,824	675,824	468,819	207,005
Equipment, furniture and software	103,374	103,374		103,374
Investment expenditures			40,230	(40,230)
Total expenditures	<u>7,278,452</u>	<u>7,266,527</u>	<u>4,743,015</u>	<u>2,523,512</u>
Less salaries and overhead recovered by allocation	<u>(3,990,434)</u>	<u>(3,990,434)</u>	<u>(2,588,797)</u>	<u>(1,401,637)</u>
Net expenditures	<u>3,288,018</u>	<u>3,276,093</u>	<u>2,154,218</u>	<u>1,121,875</u>
Change in fund balance	293,231	446,272	567,104	120,832
Fund balance, beginning	<u>1,407,103</u>	<u>351,493</u>	<u>2,015,540</u>	<u>1,664,047</u>
Fund balance, ending	<u>\$ 1,700,334</u>	<u>\$ 797,765</u>	<u>\$ 2,582,644</u>	<u>\$ 1,784,879</u>



# COLORADO RIVER COMMISSION

## BALANCE SHEET PROPRIETARY FUNDS JUNE 30, 2008

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,005,096	\$ 485,699	\$ 1,490,795
Receivables:			
Accounts	9,289,907	11,637,550	20,927,457
Accrued interest	47,548	11,526	59,074
Collateral for loaned securities	2,241,836	543,439	2,785,275
Current portion of prepaid power	2,299,469		2,299,469
Total current assets	<u>14,883,856</u>	<u>12,678,214</u>	<u>27,562,070</u>
Noncurrent assets:			
Restricted cash and cash equivalents	7,905,177	1,671,965	9,577,142
Capital assets:			
Power transmission system, net		60,503,520	60,503,520
Automobiles and equipment, net		47,093	47,093
Construction in progress		265,286	265,286
Prepaid power, net of current portion	38,905,684		38,905,684
Total noncurrent assets	<u>46,810,861</u>	<u>62,487,864</u>	<u>109,298,725</u>
Total assets	<u>\$ 61,694,717</u>	<u>\$ 75,166,078</u>	<u>\$ 136,860,795</u>

(Continued)

# COLORADO RIVER COMMISSION

## BALANCE SHEET PROPRIETARY FUNDS (CONTINUED) JUNE 30, 2008

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ 4,344,528	\$ 11,779,466	\$ 16,123,994
Payable to customers		731,313	731,313
Customer collateral deposits	3,024,842		3,024,842
Bonds payable within 1 year	3,240,000	1,960,000	5,200,000
Unamortized discount on bonds		(9,543)	(9,543)
Unamortized deferred refunding charge		(347,804)	(347,804)
Unamortized premium on bonds		246,805	246,805
Due to other funds	4,736	195,775	200,511
Accrued interest	574,117	941,464	1,515,581
Obligations under securities lending	2,241,836	543,439	2,785,275
Total current liabilities	13,430,059	16,040,915	29,470,974
Noncurrent liabilities:			
Bonds payable, noncurrent	39,485,000	64,575,000	104,060,000
Unamortized deferred refunding charge	(1,637,924)	(3,157,586)	(4,795,510)
Unamortized premium on bonds	1,516,197	1,387,527	2,903,724
Total noncurrent liabilities	39,363,273	62,804,941	102,168,214
Total liabilities	52,793,332	78,845,856	131,639,188
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt		(3,850,234)	(3,850,234)
Restricted for certain operations and maintenance	716,319		716,319
Unrestricted	8,185,066	170,456	8,355,522
Total net assets	8,901,385	(3,679,778)	5,221,607
Total liabilities and net assets	\$ 61,694,717	\$ 75,166,078	\$ 136,860,795

**COLORADO RIVER COMMISSION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
<b>OPERATING REVENUES:</b>			
Power sales	\$ 55,601,491	\$ 10,242,168	\$ 65,843,659
<b>OPERATING EXPENSES:</b>			
Power purchases	53,028,570	1,891,638	54,920,208
Prepaid power advances	2,296,469		2,296,469
Depreciation		2,041,430	2,041,430
General administration	276,452	3,362,817	3,639,269
Total operating expenses	55,601,491	7,295,885	62,897,376
Operating income		2,946,283	2,946,283
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	373,427	119,578	493,005
Interest expense	(143,407)	(3,382,150)	(3,525,557)
Change in net assets	230,020	(316,289)	(86,269)
Net assets, beginning	8,671,365	(3,363,489)	5,307,876
Net assets, ending	\$ 8,901,385	\$ (3,679,778)	\$ 5,221,607

See notes to financial statements.

# COLORADO RIVER COMMISSION

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 57,933,706	\$ 4,500,392	\$ 62,434,098
Cash paid for goods and services	(50,566,870)	(967,504)	(51,534,374)
Net cash provided by operating activities	7,366,836	3,532,888	10,899,724
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interest paid (charged to prepaid power)	(5,536,470)		(5,536,470)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Interest paid		(3,316,478)	(3,316,478)
Principal payments on bonds payable		(1,705,000)	(1,705,000)
Acquisition of property, plant and equipment		(281,499)	(281,499)
Other	(14,696)		(14,696)
Net cash used in capital financing activities	(14,696)	(5,302,977)	(5,317,673)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	227,725	133,219	360,944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED)	2,043,395	(1,636,870)	406,525
CASH AND CASH EQUIVALENTS, BEGINNING	6,866,878	3,794,534	10,661,412
CASH AND CASH EQUIVALENTS, ENDING	\$ 8,910,273	\$ 2,157,664	\$ 11,067,937
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income		\$ 2,946,283	\$ 2,946,283
Depreciation		2,041,430	2,041,430
Amortization of prepaid power	\$ 2,296,469		2,296,469
(Increase) decrease in operating assets:			
Accounts receivable	2,332,215	(3,817,121)	(1,484,906)
Increase (decrease) in operating liabilities:			
Accounts payable	2,736,542	4,216,151	6,952,693
Due to other funds	1,610	70,800	72,410
Payable to customers		(1,924,655)	(1,924,655)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,366,836	\$ 3,532,888	\$ 10,899,724

## **NOTES TO FINANCIAL STATEMENTS**

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## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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#### 1. Summary of significant accounting policies:

##### A. Reporting entity

The Colorado River Commission (the Commission) is responsible for managing Nevada's interests in the water and power resources available from the Colorado River.

Seven commissioners have broad statutory authority to govern the Commission, which constitutes the reporting entity. The Commission, as a component unit of the State of Nevada (the State), is also an integral part of that reporting entity.

All the Commission's cash receipts and disbursements are processed and recorded by the State's Controller. Budgetary and cash controls are imposed by the Controller on the Commission's general and special revenue funds, while other State-imposed cash control requirements apply only to the Commission's enterprise funds. The Commission maintains its own revenue, expense and general journals and a general ledger.

##### B. Basis of presentation and measurement focus, basis of accounting

###### Basis of presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units as prescribed by the Governmental Accounting Standards Board (GASB), principally GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, along with related pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial

reporting principles. The Commission is not subject to regulation by federal or state utility regulatory bodies such as the Federal Energy Regulatory Commission or the Nevada Public Service Commission.

*Government-wide financial statements:* The statement of net assets and the statement of activities display information on all of the activities of the overall government. Eliminations have been made where appropriate to minimize the double counting of internal activities. These statements distinguish between the Commission's *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, inter-governmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to that particular program or function. Any indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues consist of charges paid by the recipients of services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

*Fund financial statements:* The fund financial statements provide information about the Commission's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues of proprietary funds include investment earnings and revenues resulting from ancillary activities.

The Commission reports the *general fund* as its only major governmental fund. The general fund is the Commission's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Commission reports the following major enterprise funds:

*Power marketing enterprise fund.* This fund operates as a public utility and accounts for the activities of providing electrical power generated at a federal facility to its customers.

*Power delivery enterprise fund.* This fund is used to account for the construction and operation of power transmission equipment for the Southern Nevada Water System.

#### **Measurement focus, basis of accounting**

*Government-wide and proprietary fund financial statements.* The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. For the year ended June 30, 2008, there are no

nonexchange transactions – those for which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange – reported in the accompanying financial statements.

As permitted under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Commission has elected not to follow private-sector guidance for accounting and financial reporting standards issued after November 30, 1989, in reporting business-type activities in enterprise funds.

*Governmental fund financial statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, principally charges for services and investment income, are susceptible to accrual and, therefore, recognized when measurable and available. Revenues are considered to be available if they are collected within sixty days after year end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the Commission's policy to use restricted resources first when both restricted and unrestricted resources are available for use, and then unrestricted resources as they are needed.



## **COLORADO RIVER COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **C. Assets, liabilities, and equity**

##### **Cash equivalents**

The Commission's restricted and unrestricted cash is deposited with the State Treasurer (the Treasurer) in a fund similar to an external investment pool (Notes 3 and 4). Because the amounts deposited with the Treasurer are sufficiently liquid to permit withdrawals in the form of cash at any time without prior notice or penalty, they are deemed to be cash equivalents.

State statutes authorize the Treasurer to invest the Commission's deposits in certain obligations of the United States of America, or its agencies or instrumentalities, and of state and local governments, as well as other financial instruments specified in Section 355.170 of Nevada Revised Statutes. The Treasurer is also permitted by statute to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The fair value of the underlying securities attributed to the Commission is reported as a current asset called, "collateral for loaned securities," and an offsetting current liability payable from restricted assets called, "obligations under securities lending."

Deposit values reflect unrealized gains and losses on invested funds as reported by the Treasurer.

##### **Receivables and payables**

All outstanding balances between funds are reported as "due to/from other funds."

All accounts receivable are shown net of any appropriate allowance for doubtful accounts.

##### **Prepaid power**

The Commission has participated with the State (Note 7) in funding the improvement and renovation ("uprating") of the electrical power generation plant at Hoover Dam, which supplies the majority of the power sold through the Power Marketing Fund. These costs are to be reimbursed in the form of power consumption and charged to expense as the related debt amortizes over an extended period of time. The estimated value of power to be received during the next fiscal year is classified as a current asset, prepaid expense, in that fund.

##### **Restricted cash and cash equivalents**

The various resources that are limited as to use by bond covenants for debt service, operation and maintenance (O&M), capital improvement and construction (acquisition) are classified as restricted cash and cash equivalents on the balance sheet and statement of net assets. Restricted assets are provided either from bond proceeds or net assets. Net assets are restricted to the extent restricted assets exceed related liabilities.

##### **Capital assets**

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The capitalization threshold is \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. However, during the fiscal year ended June 30, 2008, none of the total interest expense incurred by the Commission of \$5,545,202, was capitalized

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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and included as part of the cost of assets under construction.

Capital assets of the Commission are depreciated using the straight-line method over their useful lives currently estimated as follows:

	Years
<b>Governmental activities:</b>	
Office equipment	5
Office furniture and fixtures	5
Automobiles	4-6
<b>Business-type activities:</b>	
Power transmission systems	10-50
Office equipment	5
Automobiles	4-6

#### Compensated absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Commission does not have a vesting policy that requires it to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### Long-term obligations

In the accompanying government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

## 2. Stewardship, compliance, and accountability

#### Budgetary information

Biennial budgets are adopted on a basis consistent with the accounting policies applied for financial reporting purposes by the Commission under GAAP except that encumbrances for goods and services not received by fiscal year end are considered expenditures of the current period solely for budgetary purposes. However, there were no encumbrances outstanding at the beginning and end of the year. Although budgets are adopted on a biennial basis, each year is treated separately, and unexpended budget authorizations lapse at each year end.

Prior to September 1 of each even-numbered year, the State's Director of Administration submits proposed operating budgets to the Nevada Budget Division covering the biennium beginning the following July 1. After review of the budgets by the Nevada Budget Division between September 1 and November 15, hearings involving the Commission, the Director of Administration and the Governor are held between November 15 and December 22, each budget year. The biennium budgets are transmitted to the State Legislature no later than the 10<sup>th</sup> day of the session held in odd-numbered years and, before adjourning, the Legislature enacts the budgets.

Net expenditures of the general fund (gross expenditures less amounts allocated to other funds) are controlled by budget categories (personnel services, travel instate, travel out-of-state, operating expenses, and capital outlay for the general fund; and general and administrative, purchase of land and intergovernmental for the special revenue funds).

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

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Management of the Commission cannot amend any budget categories. However, the Director of Administration is authorized to approve requests for changes in the budget involving transfers between expenditure categories not exceeding 10% of originally budgeted expenditures, or \$25,000 in the aggregate, of the respective budget categories. Any changes exceeding 10% or \$25,000 require approval of the Legislature's Interim Finance Committee.

#### **Bond covenants**

Following is a brief summary of the covenants included in the bond resolutions of the enterprise funds:

The Commission is required to charge purchasers of service and all users of the state facilities sufficient amounts to cover all operation and maintenance expenses (except depreciation), all debt service requirements, and any amounts required to be deposited in reserve accounts.

Monthly transfers for debt service – A debt service account is required to ensure payment of interest and principal when due. Transfers are made each month from revenues to provide 1/6 of the next semiannual interest payment and 1/12 of the annual bond maturity payment.

Classes of users – The Power Marketing Fund serves two classes of users, retail utility customers and industrial customers. The Power Delivery Fund serves the Southern Nevada Water System and its customers.

Other – Other requirements of the bond covenants include maintaining bond funds in separate depository accounts with the State Treasurer, and an audit of the Commission's financial statements by an independent certified public accountant. During the fiscal

year ended June 30, 2008, the Commission complied with all requirements of the bond covenants.

#### **Excess of expenditures over appropriations**

No net budget amounts were exceeded in any category during fiscal year 2007-2008.

#### **3. Cash deposits:**

At June 30, 2008, the Commission's carrying amount ("book value") of restricted and unrestricted cash and cash equivalents was \$14,733,832 and the State Treasurer's balance was \$14,564,206. These deposits with the Treasurer are not categorized as to credit risk.

#### **4. Restricted cash and cash equivalents:**

Cash and cash equivalents restricted at June 30, 2008, by bond covenants is summarized as follows:

	Power Marketing Fund	Power Delivery Fund
Restricted for:		
Debt service	\$ 574,117	
Construction reserve		\$ 1,671,965
Reserve for revenue insufficiency	7,331,060	
Total restricted	<u>\$ 7,905,177</u>	<u>\$ 1,671,965</u>

# COLORADO RIVER COMMISSION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

### 5. Capital assets:

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Office equipment	\$ 325,915		\$ 203,796	\$ 122,119
Office furniture and fixtures	28,539			28,539
Automobiles	144,257			144,257
Total capital assets being depreciated	498,711		203,796	294,915
Less accumulated depreciation for:				
Office equipment	244,504	\$ 6,273	129,133	121,644
Office furniture and fixtures	28,082	218		28,300
Automobiles	128,214	2,712		130,926
Total accumulated depreciation	400,800	9,203	129,133	280,879
Governmental activities capital assets, net	\$ 97,911	\$ (9,203)	\$ 74,663	\$ 14,045

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Power transmission system	\$ 75,722,480			\$ 75,722,480
Office equipment	103,776			103,776
Automobiles	175,957		\$ 6,738	169,219
Construction in progress		\$ 265,286		265,286
Total capital assets being depreciated	76,002,213	265,286	6,738	76,260,761
Less accumulated depreciation for:				
Power transmission system	13,203,263	1,992,752		15,196,015
Office equipment and automobiles	200,172	48,675		248,847
Total accumulated depreciation	13,403,435	2,041,427		15,444,862
Business-type activities capital assets, net	\$ 62,598,778	\$ (1,776,141)	\$ 6,738	\$ 60,815,899

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 9,203
Business-type activities:	
Power delivery system	2,041,430
Total depreciation expense	\$ 2,050,633

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

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#### 6. Balances due to/from other funds

The composition of interfund balances, representing the net of short-term working capital advances and repayments, as of June 30, 2008, is as follows:

	Due from	Due to
<b>Funds:</b>		
General	\$ 200,511	
Power marketing		\$ 5,215
Power delivery		195,296
	<u>\$ 200,511</u>	<u>\$ 200,511</u>

#### 7. Long-term debt:

##### General Obligation Bonds

Section 3 of Article 9 of the Nevada State Constitution limits public debt to 2% of the State's assessed valuation. The legislature may authorize debt that is not subject to the foregoing limitation to protect and preserve, or obtain the benefits of, any of its property or natural resources. The bonded debt incurred to fund the State's share of the cost of uprating electrical generating facilities at Hoover Dam does not affect the legal debt margin, because it was incurred to obtain the benefits of the facility.

General obligation bonds (Power Delivery Project Bonds, Series September 15, 1997) in the principal amount of \$49,270,000 were sold in 1997. Proceeds were used to finance the costs of acquiring, constructing and equipping certain electric power transmission and distribution facilities to serve the planned expansion of the Southern Nevada Water System. The bonds mature annually on September 15, 2000 through 2027. Annual interest rates range from 4.25 to 7%. Interest is payable semi-annually on March 15 and September 15.

In 1999, the Commission sold \$27,730,000 State of Nevada, Colorado River Commission, General Obligation (Limited Tax) (Revenue Supported), Power Delivery

Project Bonds, Series 1999A. The bonds were to finance the costs of acquiring, constructing and equipping certain electric power transmission and distribution facilities to serve the planned expansion of the Southern Nevada Water System. The bonds mature annually on September 15, 2003 through 2030. Annual interest rates range from 4.5 to 6.5%. Interest is payable semi-annually on March 15 and September 15.

In 2001, the Commission sold the \$6,305,000 Series 2001 bonds. Proceeds from these bonds were used to advance refund the Series May 1, 1987B bonds. The bonds mature on October 1, 2017, with interest payable semi-annually on April 1 and October 1 at the annual rate of 5.375%.

In 2002, the Commission sold \$36,420,000 Series 2002 bonds. Proceeds from these bonds, along with other available funds, were used to advance refund the Series 1992 bonds. The bonds mature annually on October 1, 2008 through October 1, 2016, with interest payable semi-annually on April 1 and October 1 at the annual rate of 5.375%.

In April 2005, the Commission sold the \$65,300,000 Series 2005I bonds. Proceeds from these bonds were used to advance refund substantial portions of the Series 1997A and 1999A bonds. The bonds mature annually on September 15, 2008 through September 15, 2029, with interest payable semi-annually on March 15 and September 15 at the annual rates of 4.75% and 5%.

**COLORADO RIVER COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

General obligation bonds outstanding at year end are summarized as follows:

	<b>Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding June 30, 2008</b>
<b>Business-type activities:</b>			
Power delivery bonds, series 1999A	2003-2030	4.5 to 6.5%	\$ 1,235,000
Hoover uprating refunding, series 2001	2017	5.375%	6,305,000
Hoover uprating refunding, series 2002	2008-2016	5.375%	36,420,000
Power delivery refunding, series 2005I	2008-2030	4.75 to 5%	65,300,000
			<u>\$ 109,260,000</u>

Annual debt service requirements to maturity for all long-term debt consisting of general obligation bonds are as follows:

<b>Year Ending June 30,</b>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2009	\$ 5,200,000	\$ 5,545,202
2010	5,490,000	5,091,366
2011	5,770,000	4,791,950
2012	6,065,000	4,482,209
2013	6,625,000	4,271,110
2014-2018	35,260,000	12,882,284
2019-2023	16,710,000	8,879,028
2024-2028	20,970,000	4,283,788
2029-2030	7,170,000	317,538
Total	<u>\$ 109,260,000</u>	<u>\$ 50,544,475</u>

**Changes in long-term obligations**

Changes in long-term obligations during the year-ended June 30, 2008 are summarized below:

	<b>July 1, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2008</b>	<b>Current</b>
<b>Governmental activities:</b>					
Accrued compensated absences	\$ 254,478	\$ 156,039	\$ 186,066	\$ 224,451	\$ 206,495
<b>Business-type activities:</b>					
General obligation bonds	110,965,000		1,705,000	109,260,000	5,200,000
Unamortized bond premium	3,397,344		246,805	3,150,539	246,805
Unamortized bond discount	(19,974)		(10,431)	(9,543)	(9,543)
Unamortized refunding charges	(5,491,118)		(347,804)	(5,143,314)	(347,804)
Total	<u>\$ 109,105,730</u>	<u>\$ 156,039</u>	<u>\$ 1,779,636</u>	<u>\$ 107,482,133</u>	<u>\$ 5,295,953</u>

## **COLORADO RIVER COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008**

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#### **8. Segment information**

The Commission has issued general obligation bonds (in some cases revenue supported) to finance uprating of the electrical generating facilities at Hoover Dam and to finance the costs of acquiring, constructing and equipping electrical power transmission and distribution facilities. Although these bonds have historically been paid from the revenues of the Commission's enterprise funds, the financial position, results of operations and cash flows of these enterprise funds are presented separately in the accompanying proprietary fund financial statements and no additional segment information disclosure is considered necessary.

#### **9. Risk management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Commission participates in the State risk pool and is liable for payment of nominal deductible amounts. The State then becomes responsible for all losses in excess of the nominal insurance deductible.

The United States is experiencing a widespread decline in residential real estate sales, mortgage lending and related construction activity, accompanied by inflationary trends and emerging weakness in the commercial and investment banking systems, and is engaged in a war, all of which are likely to have far-reaching effects on the economic activity in the country for an indeterminate period. The near and long-term impact of these factors on the Nevada economy and the Commission's operations cannot be predicted at this time but may be substantial.

The Commission may carry cash and cash equivalents on deposit with financial institutions in excess of federally insured limits, and the risk of losses related to such concentrations may be increasing as a result of recent economic developments discussed in the foregoing paragraph. The extent of a future loss to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution, if any, however, is not subject to estimation at this time.

#### **10. Commitments and contingencies**

##### **Litigation**

The Commission is the defendant in various litigation matters. It is management's opinion, based upon advice from legal counsel, that the risk of financial losses to the Commission from such litigation will not have a material adverse effect on the Commission's future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

The Commission does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when the services are rendered.

##### **Arbitrage Rebate Requirement**

The federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the Commission. Under this Act, an amount may be required to be rebated to the United States Treasury (called "arbitrage"), for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebatable

# COLORADO RIVER COMMISSION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of the most recent such date indicates that no amount is due. Future calculations might result in adjustments to this determination.

### 11. Employee retirement system

All Commission employees participate in the Nevada Public Employees Retirement Systems (PERS), a cost-sharing, multiple-employer, public employee retirement system. PERS was established in 1948 by the State legislature and is governed by the Public Employees Retirement Board whose seven members are appointed by the Governor. The Commission exercises no control over PERS and is not liable for any obligations of the system.

PERS provides pension, survivor, death and disability benefits, which are determined by State statute. Various payment options for these benefits are available. Regular members of the system receive full benefits upon retirement at:

- Age 65 with at least 5 years of service
- Age 60 with 10 or more years of service
- Any age with 30 or more years of service

Retirement benefits, payable monthly for life, are equal to 2.67% of their final average

salary for each year of credited service up to a maximum of 90 percent if hired before July 1, 1985, and up to a maximum of 75% if hired on or after that date. Final average salary is the employee's average compensation for the 36 consecutive months of highest compensation. Benefits fully vest on reaching 5 years of service. Vested employees who have the necessary years of credited service, but have not attained the required age, may retire at any age with the benefit actuarially reduced by 2% of the unmodified benefit for each year the member is under the appropriate retirement age.

Employees have the option of either contributing 9.75% of their salary, which is matched by the Commission, or, under the employer paid option, taking a 9.5% reduction in gross pay with the Commission contributing 20.5% of salary to PERS.

Contribution rates are established by state statute and provide for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of PERS is reduced to zero. The required contribution, which was paid in full by the Commission, for fiscal years ending in 2006-2008 was as follows:

Year Ending	Contribution Rate		Covered Payroll	Contribution Paid		
	Regular	Members		by the Commission		
June 30,	Employer	Employer/ Employee	Employer	Employer/ Employee	Employer	Employer/ Employee
2006	20.25%	10.50%	\$ 1,248,990	\$ 1,174,009	\$ 237,737	\$ 131,144
2007	20.25%	10.50%	850,125	1,546,598	313,186	89,263
2008	20.25%	10.50%	858,319	2,554,382	517,262	90,123

PERS issues a comprehensive annual financial report that includes financial statements and required supplementary

information of the plan. Those reports may be obtained by contacting them at the following address:



## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

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Public Employees Retirement System of  
Nevada  
693 W. Nye Lane  
Carson City, NV 89703-1599  
(775) 687-4200

#### 12. Other Postemployment Benefits

*Plan Description* - The State Retirees Health and Welfare Benefits Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Retirees Fund") was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf state retirees. The Retirees' Fund is a multiple employer cost sharing defined postemployment benefit plan with three participating employers, and is administered by the Board of Public Employees' Benefits Program of the State of Nevada. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the PEBP. PEBP administers a group health and life insurance program for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada, including the Commission. Nevada Administrative Code (NAC) 287.530 establishes this benefit upon the retiree. All Nevada public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees' Fund. State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

*Implementation of GASB 45* - This Statement has been implemented prospectively by the State for the fiscal year ended June 30, 2008. Legislation effective July 1, 2007 amended the Nevada Revised Statutes (NRS) making the various changes regarding the management of the PEBP. NRS 287.0436 established an irrevocable trust fund, the Retiree's Fund for the purpose of providing retirement benefits other than a pension. The Retirees' Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retiree's Fund as a trust fund. The Retirees' Fund financial report may be obtained from the PEBP at the following address:

Public Employees' Benefits Program  
901 South Stewart Street, Suite 1001  
Carson City, NV 89701

*Contributions and Funding Policy* - NRS 287.046 establishes a subsidy to pay the contributions for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2007 through April 30, 2008, the rate assessed was 4.29%, from May 1, 2008 through June 30, 2008 the rate assessed was 2.58% of annual covered payroll. The assessment is based on an amount provided by the Legislature. For the year ended June 30, 2008, the Commission contributed \$97,600 to the plan. Prior to the establishment of the Retirees' Fund, the Commission's contributions to the PEBP for the years ended June 30, 2007 and 2006, were \$52,736 and \$55,177, respectively, which equaled 100% of the required contributions each year.

**COMBINING & INDIVIDUAL  
FUND STATEMENTS & SCHEDULES**

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# COLORADO RIVER COMMISSION

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2008

	<u>Special Revenue</u>		<u>Total</u>
	<u>Ft. Mohave</u>	<u>Research</u>	<u>Nonmajor</u>
	<u>Valley</u>	<u>and</u>	<u>Governmental</u>
	<u>Development</u>	<u>Development</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents		\$ 716,500	\$ 716,500
Accounts receivable		46,692	46,692
Accrued interest receivable		4,034	4,034
Collateral for loaned securities		249,470	249,470
Total assets		<u>\$ 1,016,696</u>	<u>\$ 1,016,696</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Obligations under securities lending		\$ 249,468	\$ 249,468
Accounts payable		34,612	34,612
Total liabilities		<u>284,080</u>	<u>284,080</u>
Fund balances:			
Unreserved		732,616	732,616
Total fund balances		<u>732,616</u>	<u>732,616</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,016,696</u>	<u>\$ 1,016,696</u>

# **COLORADO RIVER COMMISSION**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue</b>		<b>Total</b>
	<b>Ft. Mohave Valley Development</b>	<b>Research and Development</b>	<b>Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Investment income	\$ 83,614	\$ 30,771	\$ 114,385
Multi-Species surcharge		595,223	595,223
Total revenues	<u>83,614</u>	<u>625,994</u>	<u>709,608</u>
<b>EXPENDITURES</b>			
Multi-Species assessment		441,215	441,215
Current general administration	69,452	11,973	81,425
Total expenditures	<u>69,452</u>	<u>453,188</u>	<u>522,640</u>
Change in fund balances	14,162	172,806	186,968
Fund balances, beginning	<u>(14,162)</u>	<u>559,810</u>	<u>545,648</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 732,616</u>	<u>\$ 732,616</u>

**COLORADO RIVER COMMISSION**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FT. MOHAVE VALLEY DEVELOPMENT SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2008**

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	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Investment income			\$ 83,614	\$ 83,614
Total revenues			83,614	83,614
<b>EXPENDITURES</b>				
Current general administration			69,452	(69,452)
Change in fund balance			14,162	14,162
Fund balance, beginning			(14,162)	(14,162)
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**COLORADO RIVER COMMISSION**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
RESEARCH AND DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Investment income	\$ 11,281	\$ 29,937	\$ 30,771	\$ 834
Multi-Species surcharge	1,138,000	1,138,000	595,223	(542,777)
Total revenues	<u>1,149,281</u>	<u>1,167,937</u>	<u>625,994</u>	<u>(541,943)</u>
<b>EXPENDITURES</b>				
Multi-Species assessment			441,215	(441,215)
Current general administration	1,138,000	1,138,000	11,973	1,126,027
	<u>1,138,000</u>	<u>1,138,000</u>	<u>453,188</u>	<u>684,812</u>
Change in fund balance	11,281	29,937	172,806	142,869
Fund balance, beginning	<u>208,158</u>	<u>227,024</u>	<u>559,810</u>	<u>332,786</u>
Fund balance, ending	<u>\$ 219,439</u>	<u>\$ 256,961</u>	<u>\$ 732,616</u>	<u>\$ 475,655</u>

**COLORADO RIVER COMMISSION**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE\*  
JUNE 30, 2008 AND 2007**

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	<u>2008</u>	<u>2007</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Office equipment	\$ 122,119	\$ 325,915
Office furniture and fixtures	28,539	28,539
Automobiles	<u>144,257</u>	<u>144,257</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 294,915</u>	<u>\$ 498,711</u>
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS		
BY SOURCE - General fund	<u>\$ 294,915</u>	<u>\$ 498,711</u>

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\*All governmental fund capital assets are used in the general government function.



**COLORADO RIVER COMMISSION**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

**FOR THE YEAR ENDED JUNE 30, 2008**

	Capital Assets July 1, 2007	Additions	Deletions	Capital Assets June 30, 2008
GENERAL GOVERNMENT:				
Office equipment	\$ 325,915		\$ 203,796	\$ 122,119
Office furniture and fixtures	28,539			28,539
Automobiles	144,257			144,257
TOTAL CAPITAL ASSETS	<u>\$ 498,711</u>	<u>\$ -</u>	<u>\$ 203,796</u>	<u>\$ 294,915</u>

## **STATISTICAL SECTION**

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# COLORADO RIVER COMMISSION

## NET ASSETS BY COMPONENT

### LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 1

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities							
Invested in capital assets, net of related debt	\$ 14,045	\$ 97,911	\$ 118,006	\$ 109,064	\$ 107,230	\$ 122,638	\$ 170,115
Unrestricted	3,090,809	2,306,710	10,934,221	9,292,022	2,393,362	1,929,113	2,601,629
Total governmental activities net assets	3,104,854	2,404,621	11,052,227	9,401,086	2,500,592	2,051,751	2,771,744
Business-type activities							
Invested in capital assets, net of related debt	(3,850,234)	(3,661,965)					
Restricted	716,319	717,664	716,284	713,004	707,485	705,049	707,007
Unrestricted	8,355,522	8,252,177	4,716,772	5,345,387	5,676,526	6,251,496	7,845,864
Total business-type activities net assets	5,221,607	5,307,876	5,433,056	6,058,391	6,384,011	6,956,545	8,552,871
Total entity-wide							
Invested in capital assets, net of related debt	(3,836,189)	(3,564,054)	118,006	109,064	107,230	122,638	170,115
Restricted	716,319	717,664	716,284	713,004	707,485	705,049	707,007
Unrestricted	11,446,331	10,558,887	15,650,993	14,637,409	8,069,888	8,180,609	10,447,493
Total entity-wide net assets	\$ 8,326,462	\$ 7,712,497	\$ 16,485,283	\$ 15,459,477	\$ 8,884,603	\$ 9,008,296	\$ 11,324,615

COLORADO RIVER COMMISSION

CHANGES IN NET ASSETS  
(Accrual basis of accounting)

LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 2

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>							
Governmental activities							
General government	\$ 2,730,697	\$ 12,208,192	\$ 2,641,024	\$ 2,253,266	\$ 2,062,826	\$ 2,968,732	\$ 1,888,664
Business-type activities							
Power marketing	55,744,898	57,473,246	62,986,316	70,038,951	127,942,758	117,616,074	135,697,615
Power delivery	10,678,035	15,783,971	58,929,523	37,159,924	13,504,249	27,387,791	24,653,645
Total business-type activities expenses	66,422,933	73,257,217	121,915,839	107,198,875	141,447,007	145,003,865	160,351,260
Total entity-wide expenses	\$ 69,153,630	\$ 85,465,409	\$ 124,556,863	\$ 109,452,141	\$ 143,509,833	\$ 147,972,597	\$ 162,239,924
<b>Program revenues</b>							
Governmental activities							
Charges for services							
Power administrative charge	\$ 1,296,412	\$ 1,323,837	\$ 1,310,371	\$ 1,049,704	\$ 968,238	\$ 978,394	\$ 983,039
Water charges	1,311,351	888,720	1,603,826	1,015,940	1,496,839	1,176,446	551,290
Total governmental activities program revenues	2,607,764	2,212,557	2,914,197	2,065,644	2,465,097	2,154,840	1,534,329
Business-type activities							
Charges for services							
Power sales							
Power marketing	55,601,491	57,246,095	62,764,886	64,003,861	127,826,226	117,233,246	135,200,158
Power delivery	10,242,168	15,130,974	57,900,598	36,513,222	12,756,303	26,499,508	26,766,833
Total business-type activities program revenues	65,843,659	72,377,069	120,665,484	100,517,083	140,582,529	143,732,754	161,966,991
Total entity-wide program revenues	\$ 68,451,423	\$ 74,589,626	\$ 123,579,681	\$ 102,582,727	\$ 143,047,626	\$ 145,887,594	\$ 163,501,320

(Continued)

COLORADO RIVER COMMISSION

CHANGES IN NET ASSETS (Continued)  
(Accrual basis of accounting)

LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 2

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
<b>Net expense</b>							
Governmental activities	\$ (122,933)	\$ (9,995,635)	\$ 273,173	\$ (187,622)	\$ 402,271	\$ (813,892)	\$ (354,335)
Business-type activities	(579,274)	(880,148)	(1,250,355)	(6,681,792)	(864,478)	(1,271,111)	1,615,731
Total entity-wide net expense	<u>\$ (702,207)</u>	<u>\$ (10,875,783)</u>	<u>\$ (977,182)</u>	<u>\$ (6,869,414)</u>	<u>\$ (462,207)</u>	<u>\$ (2,085,003)</u>	<u>\$ 1,261,396</u>
<b>General revenues and other changes in net assets</b>							
Governmental activities							
Investment income	\$ 227,944	\$ 773,632	\$ 786,729	\$ 46,142	\$ 24,350	\$ 69,509	\$ 122,439
Multi-species surcharge	595,223	547,450	525,144	17,584			
Land sales	-	-	-	13,000,000			
Miscellaneous	-	26,947	66,095	24,390	22,220	24,390	48,781
Transfers	-	-	-	(6,000,000)			
Total governmental activities	<u>823,167</u>	<u>1,348,029</u>	<u>1,377,968</u>	<u>7,088,116</u>	<u>46,570</u>	<u>93,899</u>	<u>171,220</u>
Business-type activities							
Investment income	493,005	754,968	625,020	356,172	291,944	1,573,273	2,897,929
Transfers				6,000,000			
Total business-type activities	<u>493,005</u>	<u>754,968</u>	<u>625,020</u>	<u>6,356,172</u>	<u>291,944</u>	<u>1,573,273</u>	<u>2,897,929</u>
Total entity-wide	<u>\$ 1,316,172</u>	<u>\$ 2,102,997</u>	<u>\$ 2,002,988</u>	<u>\$ 13,444,288</u>	<u>\$ 338,514</u>	<u>\$ 1,667,172</u>	<u>\$ 3,069,149</u>
<b>Change in net assets</b>							
Governmental activities	\$ 700,234	\$ (8,647,606)	\$ 1,651,141	\$ 6,900,494	\$ 448,841	\$ (719,993)	\$ (183,115)
Business-type activities	(86,269)	(125,180)	(625,335)	(325,620)	(572,534)	302,162	4,513,660
Total entity-wide	<u>\$ 613,965</u>	<u>\$ (8,772,786)</u>	<u>\$ 1,025,806</u>	<u>\$ 6,574,874</u>	<u>\$ (123,693)</u>	<u>\$ (417,831)</u>	<u>\$ 4,330,545</u>

COLORADO RIVER COMMISSION

FUND BALANCES, GOVERNMENTAL FUNDS  
(Modified accrual basis of accounting)

LAST TEN FISCAL YEARS (UNAUDITED)

Table 3

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General fund										
Unreserved	\$ 2,582,644	\$ 2,015,540	\$ 2,130,668	\$ 1,117,428	\$ 1,216,761	\$ 719,660	\$ 731,737	\$ 1,041,833	\$ 1,014,785	\$ 564,885
All other governmental funds										
Reserved	\$	\$ 182,131	\$ 182,131	\$ 4,550						
Unreserved, reported in special revenue funds:										
Fort Mohave Development		(14,162)	8,705,291	8,242,169	1,234,722	1,234,840	1,770,844	1,652,526	1,519,451	1,435,967
Research and Development	\$ -	377,679	198,834	184,256	182,928	181,901	270,232	344,463	300,652	286,362
Total all other governmental funds	\$ -	\$ 545,648	\$ 9,086,256	\$ 8,430,975	\$ 1,417,650	\$ 1,416,741	\$ 2,041,076	\$ 1,996,989	\$ 1,820,103	\$ 1,722,329

COLORADO RIVER COMMISSION

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

(Modified accrual basis of accounting)

LAST TEN FISCAL YEARS (UNAUDITED)

Table 4

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Revenues</b>										
Charges for services	\$ 2,607,763	\$ 2,212,557	\$ 2,914,197	\$ 2,065,644	\$ 2,465,097	\$ 2,154,840	\$ 1,534,329	\$ 1,599,600	\$ 1,964,196	\$ 1,482,707
Investment income	227,944	773,632	786,729	46,142	24,350	69,509	122,439	207,909	125,104	139,280
Multi-Species surcharge	595,223	547,451	525,144	17,584	-	-	-	-	-	-
Land sales	-	-	-	13,000,000	-	-	-	-	-	-
Miscellaneous	-	26,947	66,095	24,390	22,220	24,390	48,781	37,990	25,800	134,953
Total revenues	3,430,930	3,560,587	4,292,165	15,153,760	2,511,667	2,248,739	1,705,549	1,845,499	2,115,100	1,758,940
<b>Expenditures</b>										
General administration	2,180,003	11,502,549	1,998,993	2,206,332	1,994,647	2,865,085	1,950,697	1,621,013	1,547,334	1,702,288
Multi-Species assessment	441,215	405,803	389,269	13,035	-	-	-	-	-	-
Water purchases	15,411	15,393	18,017	20,401	19,010	20,066	20,861	20,551	20,093	22,032
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Investment expenses	40,230	292,577	217,365	-	-	-	-	-	-	-
Total expenditures	2,676,858	12,216,322	2,623,644	2,229,768	2,013,657	2,885,151	1,971,558	1,641,564	1,567,427	1,724,320
Excess of revenue over (under) expenditures	754,072	(8,655,735)	1,668,521	12,913,992	498,010	(636,412)	(266,009)	203,935	547,673	32,620
<b>Other financing sources (uses)</b>										
Transfers out	-	-	-	6,000,000	-	-	-	-	-	-
Net changes in fund balances	\$ 754,072	\$ (8,655,735)	\$ 1,668,521	\$ 6,913,992	\$ 498,010	\$ (636,412)	\$ (266,009)	\$ 203,935	\$ 547,673	\$ 32,620



# COLORADO RIVER COMMISSION

## PRINCIPAL REVENUE PAYERS

JUNE 30, 2008 with total comparisons for 2007 and 2006 (UNAUDITED)

Table 5

Customer	F/Y 2008										(4) F/Y 2007 Total	(4) F/Y 2006 Total
	Water		Power		LCRMSCP <sup>(1)</sup> Charges	Power		Power Delivery Revenues	Total			
	Administrative Charges	Administrative Charges	Charges	Marketing Revenues								
Southern Nevada Water Authority	\$ 1,279,518	\$ 80,003	\$ 38,998	\$ 1,665,942	\$ 10,242,168	\$ 13,306,629	\$ 16,925,120	\$ 61,399,486				
Basic Water Company	5,913	24,099	23,797	1,066,187		1,119,996	958,905	638,342				
Timet Metals Corporation	-	255,675	57,215	13,214,694		13,527,584	9,700,300	10,218,016				
Olin Chlor Alkaline (formerly Pioneer )	-	182,695	-	17,042,330		17,225,025	17,312,427	21,826,569				
Chemical Lime Company	-	2,244	1,066	78,431		81,741	90,499	87,458				
Tronox, LLC	-	92,269	51,321	1,683,680		1,827,270	1,594,947	899,720				
American Pacific Corporation	-	80,136	16,564	4,118,983		4,215,683	4,655,125	5,647,039				
Lincoln County Power District No. 1	-	59,331	35,872	1,244,045		1,339,248	1,360,833	1,134,141				
Overtown Power District #5	-	80,747	28,898	2,929,332		3,038,977	3,021,368	4,019,864				
Valley Electric Association	-	88,114	32,348	2,997,959		3,118,421	3,004,013	3,650,590				
NV Energy (formerly Nevada Power Company)	-	319,190	271,892	8,627,640		9,218,722	9,289,897	8,527,374				
City of Boulder City	-	31,910	37,251	932,267		1,001,428	1,757,733	955,528				
Las Vegas Valley Water District	534		-			534	697	9,117				
City of Henderson	17,986		-		-	17,986	18,635	15,935				
Raw water sales <sup>(2)</sup>	7,400		-		-	7,400	7,824	7,540				
Other power sales <sup>(3)</sup>	-		-		-	-	5,438,813	4,795,106				
Total	\$ 1,311,351	\$ 1,296,413	\$ 595,222	\$ 55,601,490	\$ 10,242,168	\$ 69,046,644	\$ 75,137,136	\$ 123,831,825				

(1) LCRMSCP charges are the charges for the Lower Colorado River Multi-Species Conservation Program. These charges are for the State of Nevada's participation in this species recovery program. The revenues collected from the water and power customers are paid to the federal government for the conservation program. Note that the Southern Nevada Water Authority also pays an additional charge directly to the federal government not collected by the Commission.

(2) Raw water sales include administrative charges on a number of very small water user contracts.

(3) Other power sales category includes customer excess electric power resold on the market to various entities.

(4) Comparison totals are provided for the past two years due to the changes in Commission activities pursuant to legislative action making older comparisons not relevant to ongoing operations. Total comparisons will be added each year until ten years of data are accumulated. The current year details are provided to allow the user to see the relative amounts of revenue sources to the Commission paid by the classes of customers. Only totals will be compared for past fiscal periods as inclusion of detail would make the table unreadable. Total comparisons are anticipated to be useful as the charges to each customer for the various services remain stable each year. For additional detail please see the annual financial report for the specific year at the Commission website at: <http://crrc.nv.gov/index.asp?m=fin>

# COLORADO RIVER COMMISSION

## RATIOS OF OUTSTANDING DEBT

### LAST TEN FISCAL YEARS (UNAUDITED)

Table 6

Fiscal Year	Power Delivery Refunding Series 2005I	Power Upgrading Refunding Series 2002	Hoover Upgrading Refunding Series 2001	Power Delivery Series 1999A	Power Delivery Series 1997	Hoover Upgrading Refunding Series 1992	Hoover Upgrading Series 1987B	Total Outstanding Debt	Charges for Services	Revenue to Debt Ratio
1999					\$ 49,270,000	\$ 50,855,000	\$ 6,880,000	\$ 107,005,000	\$ 27,212,229	0.25
2000				\$ 25,730,000	49,270,000	48,705,000	6,880,000	130,585,000	30,532,244	0.23
2001				25,730,000	48,455,000	46,425,000	6,880,000	127,490,000	150,080,539	1.18
2002			\$ 6,305,000	25,630,000	47,600,000	44,015,000		123,550,000	163,501,320	1.32
2003		\$ 36,420,000	6,305,000	25,480,000	46,705,000			114,910,000	145,887,594	1.27
2004		36,420,000	6,305,000	25,280,000	45,770,000			113,775,000	143,047,626	1.26
2005	\$ 65,300,000	36,420,000	6,305,000	2,735,000	3,245,000			114,005,000	102,582,727	0.90
2006	65,300,000	36,420,000	6,305,000	2,345,000	2,215,000			112,585,000	123,579,681	1.10
2007	65,300,000	36,420,000	6,305,000	1,805,000	1,135,000			110,965,000	74,589,626	0.67
2008	65,300,000	36,420,000	6,305,000	1,235,000	-	-	-	109,260,000	74,589,626	0.68

Generally, debt of the Colorado River Commission is allowed under the natural resource provisions of the state. As such, the debt is not subject to the debt limit as provided in the state constitution. However, each debt issuance and its corresponding project must be specifically authorized by the State Legislature either during a full session (in the odd numbered years) or through the Interim Finance Committee (a committee composed of legislators that meets as necessary to accommodate state needs when not in regular session). Although it is possible that the Commission may issue debt that would not be considered natural resource debt, such debt would impact the state debt limit and would also have to be approved by the legislature. Such debt has never been issued by the Commission and will not be pursued in the foreseeable future.

# COLORADO RIVER COMMISSION

## AVAILABLE REVENUE DEBT COVERAGE

### LAST TEN FISCAL YEARS (UNAUDITED)

Table 7

Fiscal Year	Gross Revenues	Less: Operating Expenses	Add Back Depreciation	Net Available Revenues	Debt Service		Coverage <sup>(2)</sup>
					Principal	Interest	
1999	\$ 27,212,229	\$ 29,869,847	(1)	\$ (2,657,618)	\$ 2,030,000	\$ 3,767,505	\$ 5,797,505 (0.46)
2000	30,532,244	32,049,802	1,132,133	(385,425)	2,150,000	3,734,951	5,884,951 (0.07)
2001	150,080,539	151,400,169	1,132,133	(187,497)	3,095,000	6,322,672	9,417,672 (0.02)
2002	163,501,320	161,659,639	1,319,306	3,160,987	3,365,000	9,766,982	13,131,982 0.24
2003	145,887,594	143,425,328	1,791,183	4,253,449	1,045,000	5,886,215	6,931,215 0.61
2004	143,047,626	139,406,539	1,835,466	5,476,553	1,135,000	4,023,431	5,158,431 1.06
2005	102,582,727	105,445,842	2,061,753	(801,362)	1,225,000	6,487,791	7,712,791 (0.10)
2006	123,579,681	120,712,590	2,064,492	4,931,583	1,420,000	5,517,972	6,937,972 0.71
2007	74,589,626	81,652,254	2,064,375	(4,998,253)	1,420,000	5,517,972	6,937,972 (0.72)
2008	74,589,626	65,577,632	2,041,430	11,053,424	1,705,000	3,282,713	4,987,713 2.22

(1) Depreciation not incurred during the years of project construction.

(2) Water and power customers are contractually obligated to provide revenues sufficient to cover all operation and maintenance expenses except depreciation, plus all principal and interest requirements on outstanding debt. Operating losses, accumulated deficits and negative coverage ratios are the result of not charging for certain recorded expenses; i.e. depreciation, amortization of debt and pre-operational expenses. As annual requirements of debt principal progressively increase annual revenues are expected to exceed recorded expenses, because principal payments are recorded as reductions of long-term debt rather than expenses. The losses, deficits and negative coverage ratios are expected to be progressively reduced and finally eliminated as the annual retirement of debt principal increase. Note that operating expenses for fiscal 2007 include \$9,500,000 in expenses to transfer the Fort Mohave Development Fund monies to Clark County, Nevada.

# COLORADO RIVER COMMISSION

## DEMOGRAPHIC STATISTICS

### CLARK COUNTY, NEVADA <sup>(1)</sup>

#### LAST TEN FISCAL YEARS (UNAUDITED)

Table 8

Year	Population <sup>(2)</sup>	Per Capita Income <sup>(3)</sup>	Total Labor Force <sup>(4)</sup>	Unemployment Rate <sup>(4)</sup>
1999	1,327,145	28,570	706,000	4.2%
2000	1,375,765	29,597	728,000	4.6%
2001	1,485,855	29,641	760,000	5.5%
2002	1,549,657	29,805	784,000	5.9%
2003	1,620,748	30,861	806,000	5.4%
2004	1,715,337	33,049	837,000	4.6%
2005	1,796,380	34,980	873,000	4.2%
2006	1,892,391	37,024	925,000	4.1%
2007	1,954,319	39,187	954,000	4.4%
2008	2,008,063	(5)	1,000,000	7.5%

(1) The Colorado River Commission (Commission) is primarily a wholesale provider of electric power and only holds in trust the rights of the State of Nevada to the waters of the Colorado River. The Commission thus does not serve (except in limited capacity) end users of either water or power. In addition the customers served by the Commission are statutorily, not geographically defined. However, the principal area served by the customers of the Commission is the area encompassed by Clark County, Nevada. This presentation is provided to give some limited demographic information to the reader. For complete information on the demographic makeup of Clark County the reader is directed to the County's website at <http://www.co.clark.nv.us/>. Information on water treatment, delivery and purveyor information can be obtained at the Southern Nevada Water Authority's website at <http://www.snwa.com/>. Additional demographic information for the state can be obtained from the State of Nevada website at <http://www.nv.gov/>.

(2) Source: Nevada State Demographer (except Fiscal Year 2000 from U.S Bureau of the Census) .

(3) Source: US Bureau of Economic Analysis.

(4) Source: Nevada Department of Employment Training and Rehabilitation, amounts rounded.

(5) Information not available at time of publication.

**COLORADO RIVER COMMISSION  
PRINCIPAL EMPLOYERS  
CLARK COUNTY, NEVADA <sup>(1)</sup>  
JUNE 30, 2008 and 1999 (UNAUDITED)**

**Table 9**

Employee	June 30, 2008			June 30, 1999		
	Employees <sup>(2)</sup>	Percentage of Total Employment		Employees	Percentage of Total Employment	
Clark County School District	31,500 to 31,999	3.47%	1	19,500 to 19,999	2.99%	1
Clark County	10,000 to 10,499	1.10%	2	7,500 to 7,999	1.15%	4
Bellagio, LLC	9,000 to 9,499	0.99%	3	9,000 to 9,499	1.36%	2
Wynn Las Vegas LLC	8,500 to 8,999	0.96%	4			
MGM Grand Hotel/ Casino	8,500 to 8,999	0.95%	5	8,500 to 8,999	1.28%	3
Mandalay Bay Resort & Casino	7,000 to 7,499	0.79%	6	5,000 to 5,499	0.79%	7
Caesars Palace	5,500 to 5,999	0.65%	7	4,500 to 4,999	0.72%	9
Venetian Casino Resorts	5,500 to 5,999	0.62%	8			
The Mirage Casino & Hotel	5,500 to 5,999	0.60%	9	6,500 to 6,999	1.03%	5
University of Nevada - Las Vegas	5,000 to 5,499	0.59%	10			
Bally's & Paris Casino Hotels				6,500 to 6,999	1.02%	6
Rio Suite Hotel & Casino				4,500 to 4,999	0.75%	8
State of Nevada				4,500 to 4,999	0.70%	10

(1) The Colorado River Commission (Commission) is primarily a wholesale provider of electric power and only holds in trust the rights of the State of Nevada to the waters of the Colorado River. The Commission thus does not serve (except in limited capacity) end users of either water or power. In addition the customers served by the Commission are statutorily not geographically defined. However, the principal area served by the customers of the Commission is the area encompassed by Clark County, Nevada. This presentation is provided to give some limited demographic information to the reader. For complete information on the demographic makeup of Clark County the reader is directed to the County's website at <http://www.co.clark.nv.us/>. Information on water treatment, delivery and purveyor information can be obtained at the Southern Nevada Water Authority's website at <http://www.snwa.com/>. Additional demographic information, including information from the Nevada Department of Employment Training and Rehabilitation can be obtained from the State of Nevada website at <http://www.nv.gov/>

Source: Nevada Department of Employment Training and Rehabilitation and Nevada Workforce Informer.

(2) Note that Nevada Law prohibits the publishing of exact employment numbers.

# COLORADO RIVER COMMISSION

## EMPLOYEES BY DEPARTMENT

### LAST TEN FISCAL YEARS (UNAUDITED)

Table 10

Fiscal Year	Executive & Administrative		Water Department		Hydropower Department		SNWS Energy Services		Power Delivery O & M		Total
1999	17		4		3		1		4		29
2000	16		3		4		3		3		29
2001	14		3		4		6		4		31
2002	14		3		5		7		5		34
2003	12		3		5		7		6		33
2004	13		5		5		9		6		38
2005	15		5		4		9		6		39
2006	15		5		3		9		7		39
2007	13		4		3		9		6		35
2008	13		3		3		9		6		34

# COLORADO RIVER COMMISSION

## OPERATING INDICATORS

JUNE 30, 2008, 2007 and 2006 (UNAUDITED) <sup>(1)</sup>

Table 11

Customer	Power Purchases in Megawatt Hours			Power Purchases in Percentages		
	F/Y 2008	F/Y 2007	F/Y 2006	F/Y 2008	F/Y 2007	F/Y 2006
	Total	Total	Total	Total	Total	Total
Southern Nevada Water Authority	2,202,554	2,599,998	3,715,976	40.95%	60.26%	54.04%
Basic Water Company	77,675	36,213	96,370	1.44%	0.84%	1.50%
Timet Metals Corporation	741,855	311,154	610,202	13.79%	7.21%	8.89%
Olin Chlor Alkaline (formerly Pioneer Americas, LLC)	259,847	292,920	311,815	4.83%	6.79%	4.54%
Chemical Lime Company	6,782	3,778	7,834	0.13%	0.09%	0.11%
Tronox, LLC	257,916	113,660	167,243	4.80%	2.63%	2.44%
American Pacific Corporation	212,508	121,826	260,936	3.95%	2.82%	3.80%
Lincoln County Power District No. 1	166,604	83,917	164,795	3.10%	1.95%	2.40%
Overton Power District #5	219,304	111,624	255,002	4.08%	2.59%	3.71%
Valley Electric Association	248,682	122,552	261,170	4.62%	2.84%	3.80%
NV Energy (formerly Nevada Power Company)	898,294	462,847	931,246	16.70%	10.73%	13.56%
City of Boulder City	86,716	53,869	82,822	1.61%	1.25%	1.21%
Total	5,378,737	4,314,358	6,865,411	100.00%	100.00%	100.00%

(1) Includes Megawatt Hour purchases for loads of all Commission customers. The Commission owns and operates only one major capital asset. That asset is the Power Delivery System transmission system. The Commission's major power deliveries are accomplished using the system. Comparison totals are provided for the past two years due to the changes in Commission activities pursuant to legislative action making older comparisons not relevant to ongoing operations. Total comparisons will be added each year until ten years of data are accumulated. These total comparisons are anticipated to be indicative of future sales as the Commission's customer base is anticipated to remain relatively stable. It is possible that some additional customers could utilize the Commission for electric power resource, but the remaining probable customers available to the Commission under legislative mandate will be part of the SNWA base and are not anticipated to materially change the reported megawatt usage amounts.

# COLORADO RIVER COMMISSION

## RISK MANAGEMENT

JUNE 30, 2008 (UNAUDITED)

Table 12

Customer	Collateral Required Fiscal 2007	Collateral Required Fiscal 2008	Collateral Posted	Cash Posted	Other Posted
Southern Nevada Water Authority					
Basic Water Company	\$ 258,298	\$ 183,942	\$ 183,942		183,942
Titanium Metals Corporation (TIMET)	2,542,400	2,685,984	2,685,984		2,685,984
Olin Chlor Alkaline (Pioneer )	5,291,508	4,328,112	4,328,112	\$ 3,000,000	1,328,112
Chemical Lime Company	22,878	21,984	21,984		21,984
Tronox, LLC	290,232	415,167	415,167		415,167
American Pacific Corporation	1,392,243	1,163,267	1,163,267		1,163,267
Lincoln County Power District No. 1	-	-			
Overton Power District #5	-	-			
Valley Electric Association	-	-			
Nevada Power Company	-	-			
City of Boulder City	-	-			
Las Vegas Valley Water District	-	-			
City of Henderson	-	-			
Total	\$ 9,797,559	\$ 8,798,456	\$ 8,798,456	\$ 3,000,000	\$ 5,798,456

Nevada Revised Statutes 538.181(2) requires that the Colorado River Commission's power customers, except a federal or state agency or political subdivision, provide an indemnifying bond or other collateral "in such sum and in such manner as the commission may require, conditioned on the full and faithful performance" of their power contracts. Due to the volatile nature of the electric power markets, and because of the recent problems in the western states power markets, the commission has determined the collateral requirements for the appropriate customers to be one-fourth of the customer's gross annual purchases as calculated from October 1 through September 30 of each preceding year.

As of June 30, 2007 all of the customers required to post collateral have done so in the amounts required. Only one customer has posted cash (as required by specific bilateral contract with the customer), all other customers have posted letters of credit or performance bonds as approved by the Nevada State Board of Examiners.

The collateral posting limits the risk inherent in the commission's utility function and protects the state to the full extent allowed under law.



## **ADDITIONAL REPORT OF INDEPENDENT AUDITORS**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

Colorado River Commission of Nevada  
Las Vegas, Nevada

We have audited the basic financial statements of the Colorado River Commission of Nevada (the Commission) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting.** In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

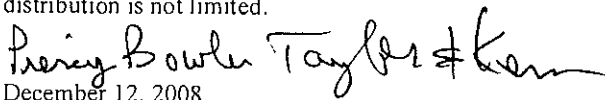
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the Commission's basic financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and other matters.** As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, (including bond resolutions and ordinances of the General Obligation Hoover Uprating Bonds, series 2001 and 2002, the Power Delivery Project Bonds, series 1997A and 1999A, and the Power Delivery Refunding Bonds, series 20051) noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management and the governing body of the Commission and the State of Nevada. However, this report is a matter of public record, and its distribution is not limited.

  
December 12, 2008